

**CURRENT STATUS OF THE CLAIMS**

Please cancel claims 1-2, 5-6, 12, 14 and 19 and amend claims 11, 13, 16 and 21-24 as shown in the following set of all claims pending in the present invention:

Claims 1-2. (Canceled).

Claim 3. (Previously Canceled).

Claim 4. (Previously Canceled).

Claims 5-6. (Canceled).

Claims 7-10. (Previously Canceled).

Claim 11. (Currently amended) A method of conducting a lottery comprising the steps of:

(1) determining a cutoff point for said lottery, said cutoff point comprising a prize value amount separating a large payout amount from a small payout amount, wherein said large payout amount is an amount payable in full to non-payout insured, winning ticket purchasers by way of payments paid during a payment period lasting longer than one year, and wherein said small payout amount is an amount payable in full in a single lump sum payment;

(2) immediately paying in full said small payout amount to a winner of said small payout amount;

(3) immediately paying in full said large payout amount to a payout insured winning ticket purchaser; and

(4) immediately paying an amount equal to at least a portion of the winning ticket purchaser's taxes due to a purchaser of a tax insured winning ticket.

Claim 12. (Canceled)

Claim 13. (Currently Amended) A method of conducting a lottery comprising the steps of:

(1) distributing lottery tickets to lottery participants for a lottery game, said tickets including tax insured tickets and non- tax insured tickets;

(2) determining whether a particular ticket is a paying ticket for the lottery game;

(3) paying the award amount plus an additional amount equal to at least a portion of the taxes payable on the award amount if the paying ticket is tax insured; [and]

(4) paying the award amount without an additional amount for taxes if the paying ticket is non- tax insured; and

(5) immediately paying at least the full award amount if the paying ticket is payout insured, regardless of the award amount.

Claim 14. (Canceled).

Claim 15. (Previously Canceled).

Claim 16. (Currently Amended) A method of conducting a lottery comprising the steps of:

(1) selling payout-insured and non-payout insured lottery tickets for a lottery game in which ticket purchasers select at least one number combination for each lottery ticket purchased and for which a prize cutoff point is established, said cutoff point comprising a prize value amount separating a large payout amount from a small payout amount, wherein said large payout amount is an amount payable in full to non-payout insured, winning ticket purchasers by way of payments paid during a payment period lasting longer than one year, and wherein said small payout amount is an amount payable in full in a single lump sum payment; [and]

(2) immediately paying in full to a holder of a payout-insured paying lottery ticket regardless of whether the paying lottery ticket is entitled to a large payout amount or a small payout amount;

(3) selling tax-insured and non-tax insured lottery tickets for the lottery game;

(4) awarding to a holder of a tax-insured paying ticket an amount equal to the prize amount plus an amount equal to at least a portion of the taxes for the prize; and

(5) awarding to a holder of a non-tax-insured paying ticket an amount equal to the prize amount without any additional amount for taxes.

Claim 17. (Previously Added) The method of claim 16, wherein the full award amount is paid to the holder of the payout-insured paying lottery ticket regardless of the number of participants in the lottery.

Claim 18. (Previously Added) The method of claim 16, wherein purchasers select at least one number combination for each lottery ticket purchased.

Claim 19. (Canceled).

Claim 20. (Previously Added) The method of claim 16, further including the step of offering a payout insurance upgrade for sale at a payout insurance upgrade price to a purchaser of a non-insured lottery ticket, said payout insurance upgrade converting said non-insured lottery ticket to a payout insured lottery ticket.

Claim 21. (Currently Amended) The method of claim [19] 16, further including the step of offering a tax insurance upgrade for sale at a tax insurance upgrade price to a purchaser of a payout insured lottery ticket, said tax insurance upgrade converting said payout insured lottery ticket to a tax and payout insured lottery ticket.

Claim 22. (Currently Amended) The method of claim [19] 16, further including the step of offering a tax insurance upgrade for sale at a tax insurance upgrade price to a purchaser of a non-

tax insured lottery ticket, said tax insurance upgrade converting said non-tax insured lottery ticket to a tax insured lottery ticket.

Claim 23. (Currently Amended) [The method of claim 13, further including the step of] A method of conducting a lottery comprising the steps of:

(1) distributing lottery tickets to lottery participants for a lottery game, said tickets including tax insured tickets and non-tax insured tickets;

(2) determining whether a particular ticket is a paying ticket for the lottery game;

(3) paying the award amount plus an additional amount equal to at least a portion of the taxes payable on the award amount if the paying ticket is tax insured;

(4) paying the award amount without an additional amount for taxes if the paying ticket is non-tax insured; and

(5) offering a payout insurance upgrade for sale at a payout insurance upgrade price to a purchaser of a non-tax insured lottery ticket, said payout insurance upgrade converting said non-tax insured lottery ticket to a payout insured lottery ticket.

Claim 24. (Previously Added) [The method of claim 13 further including the step of] A method of conducting a lottery comprising the steps of:

(1) distributing lottery tickets to lottery participants for a lottery game, said tickets including tax insured tickets and non-tax insured tickets;

\_\_\_\_\_ (2) determining whether a particular ticket is a paying ticket for the lottery game;

\_\_\_\_\_ (3) paying the award amount plus an additional amount equal to at least a portion of the taxes payable on the award amount if the paying ticket is tax insured;

\_\_\_\_\_ (4) paying the award amount without an additional amount for taxes if the paying ticket is non-tax insured; and

\_\_\_\_\_ (5) offering a payout insurance upgrade for sale at a payout insurance upgrade price to a purchaser of a tax insured lottery ticket, said payout insurance upgrade converting said tax insured lottery ticket to a tax and payout insured lottery ticket.

Claim 25. (Previously Added) The method of claim 13, further including the step of offering a tax insurance upgrade for sale at a tax insurance upgrade price to a purchaser of a non-tax insured lottery ticket, said tax insurance upgrade converting said non-tax insured lottery ticket to a tax insured lottery ticket.